

TERRA VENTURES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations ("MD&A")

The following information, prepared as of July 12, 2007, explains trends in the financial condition and results of operations for Terra Ventures Inc. (the "Company" or "Terra") for the three months ended May 31, 2007 as compared to the same period in 2006. This information should be read in conjunction with the unaudited financial statements of Terra for the three months ended May 31, 2007, together with the audited financial statements of the Company for the year ended February 28, 2007, and the accompanying Management's Discussion and Analysis ("the Annual MD&A") for that fiscal period. All financial statement figures are reported in Canadian dollars unless explicitly stated otherwise

FORWARD-LOOKING STATEMENTS

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A and in particular the "Outlook" section, contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning the interpretation of drill results may also be considered a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of July 12, 2007.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

The material assumptions that were applied in making the forward looking statements in this MD&A include: execution of the Company's existing plans or exploration programs for each of its properties, either or which may change due to changes in the views of the Company or its joint venture partner or if new information arises which makes it prudent to change such plans or programs; and the accuracy of current interpretation of drill and other exploration results.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

GENERAL

On April 25, 2006 the Company entered into a Sale and Purchase Agreement to acquire a 100% interest in 44 mineral dispositions and two claim units known as the Carswell Lake Property located in the Athabasca Basin of northern Saskatchewan. On December 21, 2006 the TSXV approved the transaction and a concurrent brokered private placement financing. The acquisition transaction was subsequently completed on December 28, 2006 and constituted a reverse takeover as such term is defined by the policies of the TSXV.

Thereafter the Company has continued the process of building a mineral property inventory that is focused on uranium prospects located in North America.

Terra currently is a development stage company engaged in the exploration of mineral resource properties and is a reporting issuer in the provinces of Alberta and British Columbia. As of December 22, 2006 the Company trades on the TSXV under the trading symbol "TAS". In March 2007 the Company announced that it had also been listed on the Berlin and Frankfurt exchanges under the symbol G7K.

Canadian Uranium Properties and Interests

Carswell Lake

As described earlier in this report, in April 2006 the Company entered into a Sale and Purchase Agreement to acquire a 100% interest in the Carswell Lake property. The property is comprised of two separate claim groups, the 283,154 hectare Carswell Lake claim group and the 53,642 hectare Black Lake claim group. The Company has completed geophysical surveys at both properties and expects to locate drill targets utilizing this information. A drilling program is planned for the fall of 2007. The property does not have any historic or NI 43-101 compliant resource estimates at this time.

Titan Production Interest

In February 2007 the Company entered into an agreement with certain arms-length vendors to purchase their 10% production carried interest ("the Titan Production Interest") in 34 claims held by Titan Uranium Inc. ("Titan") comprising 310,158 acres in seven separate projects located in the southwestern and northeastern parts of the Athabasca Basin, Saskatchewan. The Titan Production Interest remains in effect until the commencement of commercial production by Titan on one or more of the claims. At the time of commencement of commercial production, Titan is entitled to recover 10% of the aggregate expenditures incurred after February 5, 2007, with respect to putting any of the claims into production. The cost recovery to Titan is to be paid from a portion of the 10% production profits otherwise due to the Company.

Lac Kachiwiss

In March 2007 the Company entered into an agreement to acquire a 100% interest in the Lac Kachiwiss uranium property located near Sept-Iles, Quebec. The 2,166 acre property is currently the Company's most advanced exploration property. As calculated in 1978 by Getty Minerals Company, a previous explorer on the property, the property contains a historic resource (non-43-101 compliant) of 18.1 million tons grading 0.31 lbs U₃O₈/ton (0.015% U₃O₈).

The Company plans to drill the property in the summer of 2007 to confirm historic drilling so as to allow for the calculation of a NI 43-101 compliant resource, as well as conducting step-out drilling to expand the deposit size. The program is estimated to cost from \$2 million to \$5 million.

Hathor Production Interest

In April 2007 the Company acquired from an arms-length third party an 8% carried working interest in 7 claims comprising 56,360 acres in two separate projects located in the Athabasca Basin, Saskatchewan, of which 90% of the remaining 92% interest is held by a subsidiary of Hathor Exploration Ltd. Pursuant to an underlying agreement, the Company's interest is carried through to completion of a feasibility study, after which the Company is required to finance 8% of all ongoing expenditures. The properties owned by Hathor Exploration Ltd. that are subject to the carried interest do not have any historic or NI 43-101 compliant resource estimates at this time.

Hathor Exploration Ltd. has announced that it has commenced a drilling program on certain of the claims subject to the carried interest (the Midwest claim group) and has also commenced an exploration program on other of the carried interest claims (the Russell Lake South claim group) with the intent to delineate drilling targets for a drilling program later in 2007.

American Uranium Properties and Interests

North Yellow Cat

In May 2007 the Company entered into a letter of agreement pursuant to which it has been granted the right to acquire a 100% interest in 208 unpatented Federal lode mining claims and one State lease, in four separate blocks, totalling 4,720 acres in Grand County, Utah. The property is located in the Thompson uranium/vanadium mining district, one of the oldest and most prolific mining regions for uranium, radium and vanadium in the United States. One of the claim blocks has a historic resource estimate based on widely spaced drilling. This historic resource (non-43-101 compliant), consists of 12.68 million tons of sandstone grading 0.022% uranium and 0.14% vanadium. The Company plans to drill the property in 2007.

RESULTS OF OPERATIONS

The Company recorded a net loss of \$1,980,190 (\$0.06 loss per share) for the three months ended May 31, 2007, as compared to a net loss of \$20,092 (\$0.00 loss per share) for the comparable period in 2006. The current period includes a charge of \$1,356,850 (2006 - \$nil) for stock-based compensation and a credit in the amount of \$157,000 (2006 - \$nil) with respect to income tax benefits not previously recognized. The income tax benefits were recorded pursuant to the Company's accounting policy with respect to issuing flow-through shares. Excluding these amounts, the adjusted operating loss for the three months ended May 31, 2007 was \$780,340 in comparison to \$20,092 for the 2006 period.

The period-over-period increase in adjusted operating loss occurred primarily because of increased corporate and business activities in the current fiscal period as compared to the same period in 2006. In particular, legal expenses increased in connection with services provided regarding the various property transactions completed and the private placement financing completed. Similarly, stock exchange filing fees increased substantially as a result of listing the additional shares issued in connection with the various property transactions and private placement financing. These expenses will vary in the future in direct relation to amount of corporate activity the Company engages in.

Management fees and office expenses increased due to an increase in the number of corporate head office personnel and normal course administrative expense increases related to the increased corporate activities. Similarly, rent expense increased due to the need for more office space at its Vancouver corporate office and because the Company has leased a small office in Toronto for its president to work out of. It is expected that management fees will increase somewhat in the second quarter of the current fiscal year and then remain relatively unchanged on a quarter-over-quarter basis depending again on activity levels and staffing requirements.

Consulting fees and tradeshow and marketing fees increased significantly in the current period virtually all related to introducing the Company to European investors through various media channels. Travel and accommodation expense increased in connection with these activities and are comprised of the costs incurred to send senior management personnel and/or consultants to represent the Company at various venues. Management anticipates that a significant decline in all of these expenses will occur in the second quarter of the current fiscal year with some increase again, but not to first quarter levels, in the third quarter of the fiscal year.

The Company entered into two investor relations agreements during the first quarter of fiscal 2008. The first agreement is with Raincoast Capital Inc., and is for the six-month period March to August, 2007, inclusive. The fees for the period are US\$80,000. In addition, 175,000 stock options were granted to Raincoast with an exercise price of \$1.35 per share. Raincoast is focusing its efforts on communicating the Company's corporate developments to European investors. The second agreement is with Renmark Financial Communications Inc. The agreement is for 12 months, commencing May 1, 2007, cancelable by either party after six months, at a monthly fee of \$6,000. Renmark is focusing its efforts on communicating the

Company's corporate developments to Canadian investors. In-house investor relations activities included preparing and disseminating information packages to interested parties with respect to the Company's corporate developments.

The stock-based compensation expense recorded in the current period is a direct function of the number of options granted in the period and the imputed value of such options as determined by an option pricing model.

The Company recorded interest income of \$40,781 (2006 - \$Nil) during the period. This income arose from interest earned on short-term investments made with surplus cash on hand. During the first quarter of fiscal 2007 the Company had no surplus cash.

As noted earlier in this report, the Company recorded a future income tax recovery during the current period in the amount of \$157,000. This amount was recorded in accordance with the Company's accounting policy for recording the income tax impact from issuing flow-through shares

CAPITAL EXPENDITURES

The Company had incurred no capital expenditures in the three months ended May 31, 2006 while in the same period in 2007 the Company incurred mineral property option payments and exploration expenditures on such properties amounting to \$6,642,994. Included in the current period expenditures is an amount of \$3,264,300 relating to the issuance of 2,106,000 common shares at various prices as option payments or finder's fees on mineral properties.

For the foreseeable future the Company expects that it will continue to incur exploration expenditures on mineral properties it owns or has option rights to and in addition will from time to time incur expenditures related to property payments on either existing option agreements or on new option agreements entered into.

QUARTERLY INFORMATION

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended May 31, 2007.

	Three Months Ended				Three Months Ended			
	May 31, 2007	Feb 28, 2007	Nov 30, 2006	Aug 31, 2006	May 31, 2006	Feb 28, 2006	Nov 30, 2005	Aug 31, 2005
Total Revenues	-	-	-	-	-	-	-	-
Net Income (Loss)	\$(1,980,190)	\$ (713,813)	\$ (84,298)	\$ (31,723)	\$ (20,092)	\$ (18,570)	\$ (24,224)	\$ 136,071
Net Income (Loss) Per Share (basic and diluted)	\$ (0.06)	\$ (0.10)	\$ (0.01)	\$ (0.03)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ 0.03

	Three Months Ended				Three Months Ended			
	May 31, 2007	Feb 28, 2007	Nov 30, 2006	Aug 31, 2006	May 31, 2006	Feb 28, 2006	Nov 30, 2005	Aug 31, 2005
Deferred Exploration Expenditures	\$ 6,642,994	\$7,851,473	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Assets	\$ 24,829,912	\$10,818,043	\$ 46,642	\$ 21,442	\$ 29,463	\$ 33,485	\$ 44,016	\$ 60,321

The net income recorded in the quarter ended August 31, 2005, relates to the gain on disposal of subsidiary. The large loss recorded in the quarters ended May 31 and February 28, 2007, include a charge of \$1,356,850 and \$1,012,000 for stock-based compensation expense respectively, offset by \$157,000 and \$566,000 respectively of income tax benefits not previously recognized.

The large increase in total assets in the quarters ended May 31 and February 28, 2007, reflect in part expenditures made to acquire and begin exploration of uranium exploration properties as described elsewhere in this report. The increase in assets also reflects in part an increase in working capital as the result of completing significant private placement financings during the respective quarters.

FINANCING ACTIVITIES

In April 2007 the Company completed a brokered private placement of 1,600,000 flow-through shares at \$1.25 per share plus 9,500,000 units at \$1.10 per unit for aggregate gross proceeds of \$12,450,000. Each unit consists of one common share and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company on or before October 3, 2008 at an exercise price of \$1.40 per share.

In the event that the Company's common shares trade at a closing price on the TSX Venture Exchange of greater than \$2.25 per share for a period of 20 consecutive trading days at any time after August 4, 2007, the Company may accelerate the expiry date of the warrants by giving notice to the holders and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company.

The agents were paid a cash commission of \$809,250, and were granted agent warrants exercisable for 666,000 shares of the Company at a price of \$1.10 per share on or before October 3, 2008. With respect to the agent warrants issued, the fair value of these warrants (\$588,000) as determined by an option pricing model was charged to share issue costs and credited to contributed surplus. In addition, a finder's fee of \$60,000 and 100,000 commons shares was paid, and legal and other issue costs of \$30,623 were incurred. In addition, 6,100,000 common share purchase warrants were exercised during the year ended February 28, 2007, for gross proceeds \$762,500.

By comparison, during the three months ended May 31, 2006, the Company did not raise any equity capital and financing activities were limited to certain related parties advancing \$15,000 to the Company for working capital purposes.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations consumed approximately \$780,000 of cash (before working capital items) for the three months ended May 31, 2007 (2006 - \$20,000) with an additional approximate \$3,379,000 (2006 - \$nil) utilized on capital expenditures including mineral property acquisitions and deferred exploration expenditures. The cash requirement for current period activities was fulfilled from cash on hand at the beginning of the period and from the private placement financing completed during the period as described elsewhere. The nominal funding requirement for the 2006 period was largely met through related party advances.

The Company's aggregate operating, investing and financing activities during the period resulted in a net increase in its cash balance (including cash equivalents) from \$2,920,586 at February 28, 2007 to \$10,097,780 at May 31, 2007. The Company's working capital increased by \$7,391,093 correspondingly during the period.

The Company has a commitment with respect to the agreement on the North Yellow Cat property pursuant to which Terra must make aggregate vendor payments of US\$450,000 (US\$75,000 paid) and issue 200,000 common shares (100,000 issued) of the Company. The Company has no other significant commitments over the near term or long term and none are presently contemplated in excess of normal operating requirements including the management of exploration programs on Terra's various mineral prospects.

The Company has not as yet put into commercial production any of its mineral properties and as such has no operating revenues or cash flows. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital, and the Company's capital resources are largely determined by the strength of the junior resource capital markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. While there are presently no known specific trends, events or uncertainties that are likely to result in the Company's liquidity decreasing in any material way over the next twelve month period, it is unlikely that cash will be generated from operations over this period. Since the Company is unlikely to have cash flow, it will have to continue to rely upon equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to it.

TRANSACTIONS WITH RELATED PARTIES

The Company incurred the following charges with directors, officers and former directors of the Company:

	Three months ended May 31,	
	2007	2006
Accounting fees	\$ 4,620	\$ -
Consulting fees	-	7,500
Management fees	30,000	7,500
Rent	6,000	-
Investor relations	94,720	-
Website	<u>7,000</u>	<u>-</u>
	<u>\$ 142,340</u>	<u>\$ 15,000</u>

These charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

At May 31, 2007 accounts payable included \$7,100 (February 28, 2007: \$33,182) due to current or former directors and officers of the Company or companies controlled by such individuals for consulting and management fees payable, and for reimbursement of expenses incurred on the Company's behalf.

CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting estimates are as described in the Annual MD&A.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company is not aware of any recent accounting pronouncements that would impact its financial reporting at this time or in the near future.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

These unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles, following accounting policies consistent with the Company's audited financial statements and notes thereto for the year ended February 28, 2007 with certain additions, as follows. These financial statements do not include all the disclosures required by generally accepted accounting principles and should be read in conjunction with the most recent audited financial statements of the Company.

Adoption of New Accounting Standards

On March 1, 2006, the Company adopted two new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”); Section 3855, “Financial instruments – recognition and measurement”; and Section 1530, “Comprehensive income”. These standards were adopted on a prospective basis and as such, prior periods have not been restated.

a) Financial instruments – recognition and measurement

CICA Handbook Section 3855 requires that all financial assets, except those classified as held to maturity and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. The Company’s financial statements have not been impacted by this policy to date.

b) Comprehensive income

Under CICA Handbook Section 1530, comprehensive income is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that would not normally be included in the statement of operations such as unrealized gains or losses from available for sale securities which are not included in computing net income (loss) until realized. The Company does not currently have any assets or liabilities that are subject to this accounting treatment.

FINANCIAL INSTRUMENTS

As disclosed in its audited financial statements, the Company has identified several financial instruments that it utilizes in its day-to-day operations. It is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

OUTSTANDING SHARE DATA

a) Authorized:

Unlimited common shares without par value

b) Issued and outstanding:

39,946,226 common shares as at July 12, 2007 for a net consideration of \$27,172,254

c) Outstanding warrants and options as at July 12, 2007:

Type of Security	Number	Exercise Price	Expiry Date
Share purchase warrants	1,281,250	\$1.20	Dec. 28, 2008
Share purchase warrants	4,750,000	\$1.40	Oct. 08, 2008
Share purchase warrants	666,000	\$1.10	Oct. 08, 2008
Stock options	1,000,000	\$1.00	Dec 14, 2011
Stock options	1,000,000	\$1.25	Jan 05, 2012
Stock options	235,000	\$1.35	Mar 05, 2012
Stock options	1,200,000	\$1.40	Apr 12, 2012

INTERNAL CONTROL OVER FINANCIAL REPORTING

As at the date of this report, management is not aware of any change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS AND UNCERTAINTIES

Exploration for mineral resources involves a high degree of risk. The cost of conducting exploration programs may be substantial and the likelihood of success is difficult to assess. The Company attempts to mitigate its exploration risk by maintaining a diversified portfolio that includes several different exploration prospects in a number of favorable geologic environments. Beyond exploration risk, management is faced with a number of other risk factors. The more significant ones include:

Uranium Price Risk: The Company's portfolio of properties has exposure to predominantly uranium. The price of this mineral greatly affects the value of the Company and the potential value of its properties and investments. This, in turn, greatly affects its ability to form joint ventures and the structure of any joint ventures formed. This is due, at least in part, to the underlying value of the Company's assets at different uranium prices.

Financial Markets: The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

Environmental Risk: The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.

OUTLOOK

The Company is in a strong financial position with working capital of \$10.3 million.

The Company's primary focus for the foreseeable future will be to advance the exploration and development of the mineral properties it owns or has under option, and in addition to add to its mineral property holdings if and as warranted by the merits of any new prospective uranium properties it identifies.

OTHER INFORMATION

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's website at www.terraventures.com.